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INDUSTRIAL MOBILIZATION OF FOREIGN NATIONS—JAPAN

8 April 1947

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INDUSTRIAL MOBILIZATION OF FOREIGN NATIONS—JAPAN

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CAPTAIN WORTHINGTON: The speaker this morning is Mr. Charles K. Moser, Chief of the Far Eastern Division, Office of International Trade, Department of Commerce. He is also the advisor to the Secretary of Commerce on the China Trade Act.

Mr. Moser's connection with the Far East dates back almost 40 years. From 1909 to 1922, he served as Consul in several important cities in the East, after which he entered the Department of Commerce where he continued to deal with Asiatic matters.

Mr. Moser is the author of numerous studies of the economics of the Far East. From 1928 to 1943 he lectured on Far East economics at the School of Foreign Service, Georgetown University. His subject this morning is "Industrial Mobilization of Foreign Nations—Japan."

I take pleasure in introducing Mr. Moser.

MR. MOSER: Thank you, Captain.

The subject of Japan's industrial mobilization is too big a subject for me or any individual to cover in detail in one lecture or perhaps in any two or three lectures. As a matter of fact, most of the civilian agencies, my own in particular, do not have anything like as detailed information on Japan and Japan's mobilization as we would like.

To a large extent we blame that on our Armed Services, because we think that they have acquired, by reason of their large organizations and their closer relationship in the Service, a great deal more knowledge than we have, but they are pretty cagey about presenting it to the civilian organizations. I am not intending this as a criticism, nor as an apology perhaps for my own feeble remarks, but merely as facts. The Armed Services have had an opportunity to develop a greater volume of information about the enemy areas than most civilian organizations.

For my own part, then, I don't intend to give you a detailed account industry by industry, particularly with respect to Japan itself, nor law by law that was passed by Japan's Diet, or edicts of the Emperor which resulted in the mobilization for World War II that you are interested in. You can find most of those in the several studies that have been prepared by students, both military and naval, of our Armed Forces, and by some of the bureaucratic agencies of our Government, such as the Office of Strategic Services, and in the old Foreign Economic Administration.

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What I really mean to do mostly is to give you a few highlights, many with which you are familiar, but I hope to bring them to a little closer focus. Based on my 20 years or more experience in the Far East, I would like to give you some of my thoughts that would give some point to your own thinking.

When did the idea of the East Asiatic Co-prosperity Sphere first germinate in the mind of Japan? Or, to make it simpler still—when did she first conceive her determination to conquer the world? I think that is an important question to consider when we are reflecting upon Japan's preparation for her acts which were to culminate in World War II.

There are some authorities who think the idea originated as far back as 1868, when the Tokugawa Shogunate which had ruled Japan for 200 years, was overthrown and the Meiji Restoration established. There are others who think Japan's idea of world conquest went back centuries earlier; that it has always been a dream of this restless, aggressive people; a dream which they symbolized in the legend that they are sprung from Jimmo, their first Emperor, the offspring of Ama-terasu no-Mikami, the Sun-goddess, and that they are, therefore, of divine origin. A dream which drove them from the mainland hundreds of years ago into the islands of Polynesia and Micronesia, and afterward lured them back towards their birth-land and to conquest of the Ainu, presumably the aborigines of the Japanese Islands. A dream which caused them repeatedly to thrust against the Korean mainland, and to almost win a foothold there under their great hero Hideyoshi, in the 16th Century.

Whatever the date of its inception, this dream of world conquest and the legend of their God-descended supremacy over all other inhabitants of Earth must be given credit for having been the most powerful motivation in their phenomenal rise from a medieval feudal society in 1868 to one of the five greatest powers of the world by 1940, a period within one man's lifetime. It accounts for their marvelous progress in learning the arts and sciences of the modern world, the unbending resolution with which they set about to acquire all the material learning of the West, and the West's material achievements—although in the acquisition of both they have given many indications of indigestion.

There is plenty of evidence that before the beginning of the present century, before even she had thrown off the burdens of extraterritoriality and become a truly sovereign state, Japan had determined her course. Dr. James A.B. Scherer, in his book Japan Defies the World—published just before the beginning of the war—recalls an incident that has always spurred my thinking. In 1892 he was a young missionary teaching English at the Sasebo Naval Academy, and in a written examination he inquired of the still younger future admirals "Why do you wish to learn English?" The answer of one of the boys who later became a famous Japanese naval hero was the following:

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"I must learn English in order that some day I may lead Japan's forces to that great country and conquer it.....Afterwards, of course, we shall conquer the country of our dear teacher."

That boy was speaking the soul of Japan. Inculcated by its superiors, Japanese youth at the earliest conscious age learned that Yamato was the superior race. They had swallowed Nietzsche whole before Nietzsche ever had put his Teutonic superman on paper. They were taught that Bushido—the way of the warrior—was the only way of life for a Japanese, be he civilian, scholar, industrialist, or simple workman. These people were conditioned from birth for world conquest, they were as unified and single-minded as a hive of bees. The Shinto religion which deified their Emperor and made each one of them subject to his slightest will was a mighty bond to hold them together. The glaring fact that in their constitution the Ministers for Army and Navy—and they alone, of all the cabinet—were responsible only to the Emperor, reveals their subordination of all the interests of the Japanese people to military expediency; the fetish made of death rather than surrender, of accomplishment at any cost, is one of the most powerful illustrations possible of the spiritual and psychological conditioning of the Japanese people for war.

I sat one day in a waiting train outside a little station between Kobe and Osaka. The station platform was a huge slab of concrete covered with ice. A little Japanese boy no older than 5 or 6 years, and no larger than 3 or 4 among our boys was trying to teach himself to slide on his feet the length of the icy platform, no doubt in emulation of older boys. Every time, his feet slid out from under him and he came down with a loud thwack on the back of his head. He had no protection whatever for that head but a cloth cap, yet I saw him repeat that performance three or four times a minute for twenty minutes, and I never noticed him utter a sound of distress nor put his hand to the back of his head for comfort. When my train pulled out, he was still trying.

Spiritually and psychologically probably no people in the history of mankind were ever better conditioned or more united for war than were the Japanese people for World War II. There were, we know, some factions who were disapproving or fearful of the outcome: but if there was any coercion of the Japanese people by their military authorities—such as the Nazis undoubtedly imposed upon recalcitrant Germans—no one knows of it. Probably the nearest approach to the Japanese in psychological mobilization were the British. As for ourselves and the Russians—the American public was not, upon the whole, much moved by certain of our leaders and our propagandists. It was Pearl Harbor that electrified us into complete unity and action all at once; while the Russians moved as one man to war when Hitler crossed their frontier. He would be exceptionally naive who discounted altogether the psychological conditioning effected by propaganda and legislative enactments upon both ourselves and the Russians, but the reactions of both to attack are good evidence that the peoples of democracies who believe in their form of Government do not require enticements to defend their soil.

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nor need the rigid controls sometimes insisted upon by our military authorities.

Everyone has read or heard, in the prewar years, of Japan's objection to throwing open her industrial establishments to the inspection of foreign visitors. It has been commonly thought that this was a method employed by the Japanese to hide their secrets of invention, or of production, or methods, perhaps, of distribution and labor techniques. Doubtless this was so in part, but I am persuaded that it was not the primary reason. The Japanese did not really begin a considerable modern industrial development until the absence during the First World War of other countries from their accustomed markets in the Far East gave Japan her opportunity to develop industries for getting into those markets herself, and then she had no time to develop new techniques or secret formulas. To get into production quickly and keep on going, she had only to copy faithfully the techniques and practices of Western lands. Surely there was little occasion then or thereafter to try to keep these developments secret from their originators. Such few inventions as she was able to devise—the Toyoda loom, for example—she offered to the world for recompensing royalties, or they were of small importance in the world's industrial economy. I am satisfied that because Japan herself had had free access to the workshops, the law courts, the training schools, the military and naval establishments of the United States, Britain, France and Germany, and had bored into the core of the secrets of all these, she was determined that no other power should gain a similar advantage from any plants or agencies of hers. Rather, she looked upon every act of workmen in a planing mill, power plant or textile factory, every smart managerial dodge, every stratagem of her financial wizards or great money houses to control the money flow of the country as another step in her preparations for what developed into World War II.

In 1929 I was sent out to Japan by one of America's great textile corporations to try to find an answer to the question of whether or not we could compete with the Japanese in the cotton textile markets of the Far East. Naturally, one of my first aims was to go through some of Japan's textile mills. I got nowhere, until I was able to make an appeal through friends in the Foreign Office who were assured that I was only an observer and not an expert—an assurance which was literally true, although I nearly got into trouble over it. Another American who went out to inspect Japan's box factories for our West Coast lumber trade never saw the inside of a factory except from the manager's office. And while my Foreign Office friends enabled me to go through a large number of mills, I found the great Dai Nippon Mills—the largest in Japan—closed to me. There was such long delay and much chattering from behind closed doors, that my Japanese interpreter said with a sly smile, "Sir, from what I can gather, they do not want you in there." When the urbane manager, who was a powerful figure in Japan's finance, came out to me from the conference, he told me how much he regretted that the great Dai Nippon Mills could not afford to let me go through their spinning and weaving sheds—because all the girl employees would stop their work to look at the foreigner, and so lose much valuable time!

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The Japanese police, too, gave me a looking-over, but perhaps we have no time to go into that.

Possibly the greatest of Japan's governmental efforts toward industrial mobilization for war was her handling of the South Manchuria Railway and the lease of the Kwantung Peninsula, both a heritage from her successful war with Russia. On the development of these two, she spent more than 1,500,000,000 yen, or approximately \$750,000,000, prior to the so-called Manchurian "Incident" of 1931. But by June 1945, the Pauley Mission estimates Japan's expenditure upon Manchuria's development at 11 billion yen, the value of this sum in dollars, however, is left to the imagination.

Upon the Kwantung Peninsula, Japan built the great port of Dairen, equipped it with the most modern railway terminal facilities, docks and quays, shipyards, oil refineries, banks—whatever was needed to make of the peninsula a fully equipped Japanese industrial state. Second to Shanghai, Dairen became the greatest port on Chinese soil, and in all respects as much a Japanese city as Tokyo or Yokohama. The South Manchuria Railway—although nominally a leasehold only—became a projection of Japan itself, politically, industrially, economically, a 14-mile wide strip of Japan pushed up through Manchuria from Dairen to Changchun, called Hsinking after 1931. Within the frame of this 14-mile wide strip, Japan developed the great coal mines of Fushun—largest open pit mine in the world, built steel plants and oil refineries at Anshan, pig iron plants and coking furnaces at Panshihu. Under the control of the Manchurian Industrial Development Company, the roster of industrial enterprises developed by the Japanese at Panshihu and Anshan and Liaoning Province and at Tung-Pien-Tao in Tung-hua Province reads like a roll call of Japan's Zaibatsu families, but at least half of the capital in all of them was Japanese Government capital. The Japanese acted swiftly after the creation of Manchukuo to increase hydro-electric power facilities throughout the country under their coordinated master plan for industrializing Manchuria. The Manchuria Electric Company was organized to dominate the electric power field in Manchuria and harness the waters of the Yalu and Sungari rivers. There was Manchukuo capital in the company, but as one-half of its total capital of 640 million yen was Japanese Government funds, it can be readily understood that Manchukuo's voice in the operations of the company was that of a silent partner.

The great contribution of these industrial developments in Manchuria to the homeland of Japan requires little explanation. During the war years coal production in Manchuria averaged around 24 million metric tons annually, and, as the Pauley Mission found, most of the coking coal used in the Far East was mined in Manchuria where the mines which produce coking coal are also conveniently located to iron ore deposits.

But valuable as coal, iron and steel were to the development of Japan's industrial economy, Manchuria had other things to contribute. Molybdenum was discovered in 1939, and, according to one authority, "this deposit is certainly one of the largest known molybdenite deposits in the world,"

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although the Japanese were never able to get it into more than 10 percent of capacity production. Lead, thoro-vanadium, titanium oxide, aluminum, magnesite, gold and even uranium were mined in Manchuria during the war for Japan's use. More important to Japan than any, or perhaps all of them however, was the development of the oil shale industry. Manchuria's thirteen liquid fuel plants had a total crude oil capacity of around 6,200,000 barrels a year, no mean contribution to Japan's fuel and lubricant needs during the war years.

A feature in Japan's continental expansion and attendant industrial mobilization that can only be touched upon here, but that has had a place of tremendous importance in Japan's plans—particularly in the plans she had in mind for her future in Siberia—was the purchase in 1935 of the Chinese Eastern Railway from Soviet Russia, and the addition of that system to the South Manchuria Railway. By this accomplishment and through the fiction of the puppet state of Manchukuo, Japan acquired all the industrial plants—sugar mills, flour mills, distilleries, coal fields, stands of lumber—that the Russians had built since 1903 in the prosperous towns they had established along the railway, and a total of 10,000 miles of railway and 13,000 miles of motor roads in Manchuria.

By 1937 the enormous economic operations in the hands of the South Manchuria Railway had proved, however, just too much for one company's administration. The war with China was six months old when the old Manchurian Industrial Development Company was reorganized in December 1937 and revitalized with a capitalization of 3 billion yen, one-half of which was Japanese Government and one-half Manchukuo Government capital, to take over administration of Manchuria's principal coal, iron, steel, chemicals, light metals, automobile and airplane industries. It is impossible to do more than make bare mention of the economic activities which engrossed the Japanese Imperial Government at this time. Burning with zeal to expand its industrial capacities on the mainland under the pretext of "the national defense," and for the development of new resources, Japan started the second Sungari River Hydro-Electrical Development, 24 kilometers from Kirin with a capacity of 600,000 KW, and the Yalu River Hydro-Electric Power Development of 1,600,000 KW, claimed by the Japanese, at the time at least, to be the largest single hydro-electric development in the world. The next year—the war in North China seeming to be going according to plan—they organized the North China Development Company to take over the coal and iron mining operations in Shantung, Chahar, Shansi and Hopei Provinces and to insure that their output was poured into the homeland. In all these activities the Japanese Government at one time did not hesitate to invite private, and even foreign, capital participation; but in each case a full one-half or more of the capital stock was paid in from funds of the Japanese Government.

Prior to the "Manchuria Incident" it had been Japan's policy to consistently keep Korea from developing any manufactures. After that incident had inaugurated the first phase of Japan's march on the East Asiatic mainland, the Japanese realized the strategic advantage—should her plans be challenged—of having a portion of her industrial eggs in a basket on the

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mainland, and began to develop the manufacture in Korea of various necessities of war. These plans were pushed aggressively at about the same time that aggressive industrial development was begun in Manchuria and North China. Nearly all the development of industrial enterprises took place in North Korea—i.e., north of parallel 38, and I am afraid we do not have a great deal of detailed information on them unless it has been obtained by our Armed Forces through their Russian contacts, and is being concealed from us. The general pattern of industrial development by the Japanese in North Korea, however, followed that of Manchuria and North China. Eighty percent of Korea's coal mining is carried north of parallel 38; 95 percent of its iron and steel production; 90 percent of the country's hydro-electric power; 85 percent of its chemical industry, including fertilizers. Southern Korea is dependent almost entirely on the North for its coal, iron and steel hydro-electric power, and chemical products; but the North is dependent on Southern Korea for the main bulk of its consumer goods and to a considerable extent for the food consumed. The Pauley report enumerates a considerable number of industrial plants established in North Korea, including an airplane manufacturing company—subsidiary of the Japanese Showa group—a viscose plant, iron works, lead smelters, aluminum and magnesium plants, coal mines, cyanide plant, oil refineries, hydro-electric plants and textile mills, but I am sorry that we have no figures showing the volume or value of their contribution to Japan's industrial mobilization.

In Japan itself, because of its rather unique structure as a modern state, it is a little difficult to distinguish industrial institutions or plants devised mainly for war activities and those which might be considered as purely peacetime enterprises. Obviously, of course, in the heavy industries they are closely integrated and many, or all, may serve for both wartime and peacetime needs. Equally obviously, those industrial plants which produce only consumer goods require considerable reorganization from peacetime activities if they are to function significantly in a country's war economy. But while in other countries it is the light—or consumer goods—industries which are first to attract the interest of capital, in Japan their dream of proving their world supremacy and their fear of sharing possibly the threatened fate of China at the hands of the West led the Japanese—even as early as the Meiji Restoration period—to stimulate the development of heavy industry for the production of capital goods and war munitions before undertaking the development of light industries for the production of consumer goods. Engineering plants and arsenals, as an instance, were built before the introduction of cotton spinning machines. Where formerly ownership and control of arsenals, shipyards, and mines had been scattered among the various clans, the Emperor Meiji confiscated these enterprises belonging to the clans and placed them under the direction of the Government for modern development. Concurrently, other strategic enterprises were developed including chemical industries, glass and cement factories; and after these industries were developed to a high technical level they were sold, or in some instances virtually given away to friends of the court. They constituted a small group of powerful families which included among them the Mitsui, Mitsubishi, Sumitomo, Okura, and Yasuda.

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Through the 73 years between the Meiji Restoration and the outbreak of World War II these favored families became so powerful that by the end of that period it is estimated that 70 percent of Japan's entire business operations was in the hands of but 15 families. These are the Zaibatsu—or, in Theodore Roosevelt's phrase, Malefactors of Great Wealth—through which the Japanese Imperial Government completely dominated Japan's industrial and economic structure for whatever purposes it chose, and the same Zaibatsu that SCAP is reportedly determined to abolish as an instrument of Fascism.

Another policy that has traditionally enabled the Imperial Government to exercise tremendous control over industry has been that of the use of subsidies. This is a subject that would carry us too far afield, and into regions of vague figures and guesswork: but it is a subject which merits the attention of those who are examining closely into the structure of Japan's mobilization of industries for war.

Undoubtedly, Japan entered light-heartedly upon the "China incident," in 1937 with no expectation that she would be called upon to exert herself either militarily or economically greatly beyond her normal peacetime operations. China was expected to fall in a matter of weeks and for all her age-long dream and deeply planned preparations for war, it does not seem likely that Japan's leaders ever really anticipated that the "China incident" would lead them into World War II. The failure of China to capitulate in the expected time, however, led to embarrassment and necessarily to a redirection, for the time being at least, in Japan's economy.

In order to develop industrial facilities vital to aggressive warfare, it was necessary to supply strategic industries with capital. The Temporary Capital Funds Adjustment Law of September, 1937, was the first major step in this direction. At about the same time the Government sponsored a Law for the "Temporary" Control of Imports and Exports, specifically designed to restrict imports of "non-essential" materials and to conserve Japan's foreign exchange reserves needed for stockpiling the raw materials required from abroad. Both these laws were intended to channel the flow of new capital and materials from non-essential to strategic industries, and the shift at once became a marked feature of Japan's economy. In 1931, the date of the "Manchurian Incident"—note that nearly every factor in Japan's later development for war harks back to that incident. It was when she put her foot through the crack in the door—in 1931, to repeat, "national defense" industries accounted for less than 35 percent of all new capital investments, while "non-defense" industries accounted for more than 65 percent. By 1937—the date of the outbreak of war with China—the position was almost exactly reversed; a little over 38 percent for "non-defense" industries, and nearly 62 percent for "national defense" industries.

When the spring of 1938 rolled around, Japan's chagrin at her failure to bring China to her knees could no longer be concealed, and the National General Mobilization Law of that year—frequently referred to as the "backbone of Japan's wartime national structure,"—revealed it. This law

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provides in time of war for what may be termed "all out" Government control of labor, raw materials, land, equipment, business agreements, investment and capital increases, prices and publications. It is difficult to see how legislation, in principle, could go farther in the mobilization of the entire material forces of a people for the object in view. The only relaxation admissible might seem to lie somewhere within the scope of its implementation. A number of Japan's military leaders, however, did not think the National General Mobilization Law gave them enough control over the nation's productive capacities, and it is true that the "Zaibatsu" discovered loopholes in it which encouraged or permitted them to oppose every measure by which the Army threatened to infringe upon their ownership and the major prerogatives in the industries which they dominated. That there was general misunderstanding, or seeming inability to count the teeth in this measure on the part of the Japanese public, seems apparent when we read, as late as September, 1941, in a leading Japanese economic publication:

"Japan's wartime controlled economy has hitherto been based on three important laws—the Law for Temporary Control of Imports and Exports, the Temporary Capital Adjustment Law, and the National Mobilization Law, none of which contains clauses that give any inkling of planned economy."

While this explanation was doubtless offered as genuine, it might almost seem that the writer had a taste for irony.

Implementation, or putting into practice, of these three basic measures revealed their weaknesses, or possibly, perhaps the weaknesses inherent in Japan's social and economic structure when faced with the problem of going "all out" for war under modern conditions. The adoption of the "new economic structure"—or the Major Industries Association Ordinance—at the beginning of September, 1941, gave indication that the plans for state regimentation of industry hitherto had been a failure; and the new structure, inherited by the Tojo Cabinet when it entered office just prior to the beginning of the war, was designed to cure its omissions. Apparently the Japanese were still fumbling around in the dark to find the right answer, for the Ordinance for Extraordinary Wartime Administration to Act, promulgated in the spring of 1943, was a further effort on the part of Premier Tojo to achieve virtually dictatorial powers over the administration of the war economy and to strengthen the powers of the Cabinet Planning Board which had been set up in 1937 to function as an economic general staff and as an agency of industrial mobilization.

None of these measures, however, nor their combined result, appears to have been sufficient to attain the objective attempted—i.e., to bend all Japan's powers, industrial production, business operation, labor, and morale into one unified and irresistible stream of all-out war effort. In mid-year 1943, the Law for Industrial Adjustment was passed to complete the conversion of Japanese industry to war production. The law specified readjustment and a tightening up of the slack in three groups of industry: (1) those peacetime industries such as textiles, foods, metals and chemicals, which would

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be able to contribute to the enlargement of the armament industry by transferring factory workers and equipment to the armament industry; (2) the war industries, especially heavy industries, the efficiency of which would be increased by the transfer of workers and equipment from industries of the first group; and (3) the miscellaneous civilian consumption industries which are by their very nature able to contribute but little to the expansion of the armament industry.

Complete mobilization of economic resources under this conversion program was not achieved by the Japanese, but led up to the development of a strong Ministry of Munitions which was composed of nine bureaus. The major task of the Munitions Ministry was to speed up aircraft production, but the Ministry was also given general supervisory direction over the mining industry in order to expand the output of metals; and eventually electric power, machine tools, chemicals, fuels, as well, were turned over to its control. The Ministry of Munitions thus became the nearest thing to the War Production Board of the United States that was developed in wartime Japan.

No discussion of Japan's mobilization for war could exclude some consideration of the country's financial structure, and of the institutions and methods by which it met its wartime obligations. I'm afraid the field is much too wide and too complex for discussion here, but to those who are making a professional study of the subject and who have not already done so, I recommend that they look into the study of Japan's money and credit institutions prepared by the Federal Reserve Bank of New York, and first issued in incomplete form April 1944. ("Role of the Bank of Japan in the Japanese War Effort," Bureau of Foreign and Domestic Commerce, 1944).

When Japan went to war against the United Nations—i.e., from Pearl Harbor forward—her finances had already been on a war basis for 4½ years, and a special technique had been developed by the Ministry of Finance and the Bank of Japan for financing the ever-expanding outlays on account of the "China Incident." Government deficits rose from less than 600 million yen in the fiscal year 1936-37 to nearly 7,000 million yen in 1940-41. Over 48 percent of the outstanding Government bonds were in the hands of the Japanese Government and of special banks. Officially, there was no compulsory lending to the Government, but administrative pressure was exercised in various forms. Insofar as people placed their savings with the Postal Savings Bank and the Postal Life Insurance, or with special banks, the Government obtained direct control of their funds. Ordinary banks received a directive from the Bank of Japan as to the percentage of deposits they were expected to invest in Government bonds, and, as its name implies, the Bank of Japan was the absolute creature of the Japanese Government. I recommend you to the study "Japan—Money in Credit Institutions" by the Federal Reserve Bank of New York for a comprehensive account of the role of the Bank of Japan in the Japanese Government's mobilization of industries for war.

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So far as I am aware, no organized or comprehensive study has so far been put out by any of our Government agencies on the subject of Japan's war production industries, other than that issued in October 1945 by the Interim Research and Intelligence Service of the Department of State: and I am indebted to it as the source of some of the brief notices I have here given of Japan's wartime laws, and you are probably already familiar with it. The promulgation of laws for the complete control and development by Government of a nation's resources of production has never been sufficient, however, to mobilize to the full the energies of the nation. The technique of producing the highest results within the shortest space of time, and with the fewest waste motions, is not a technique that can be learned overnight, not even—as Japan has learned to her cost—over a stretch of 75 years from a medieval society to a place in the sun in the 20th Century. The number of legal measures passed to control and energize shipbuilding, for example, to build up a synthetic chemical industry far beyond the limitations of Japan's modest natural resources, or such measures as the Petroleum Industry Law which put all handling of oil supplies under Government control and required a six months' supply to be kept always conveniently on hand in Japan, were but scratches on the surface. For years, Japan supplemented her limited natural resources by the import and stockpiling of the raw materials estimated as adequate for her needs in an emergency; iron and steel scrap from the United States, is an example. She endowed new industries with substantial subsidies in varied forms. By a subtle system of economic penetration, she tapped the far areas of the world for things she needed—raw cotton from India, South Africa, and Brazil; the Philippines for abaca, the islands of the Southern ocean for vegetable oils. All roads and all cargoes were bent toward Tokyo. During the war, no sooner was an occupied area reduced to the simplest form of pacification—the Philippines, British Malaya, Netherlands Indies, Siam and Indochina—than the Japanese set about developing an industrial program which would feed back to the homeland an enormous volume of the raw materials needed by her factories for turning out the munitions of war.

And yet in comparison with Germany, the United States, and Great Britain, I have read, and do not doubt, that Japan's efforts at industrial mobilization for war were a failure. Possessing nothing of the point of view or technical knowledge of the military man, I offer you out of my personal opinion two explanations: the one is that with the best of psychological preparation or the best will in the world, the technique for organizing full mobilization of industrial output was lacking; the other, that too much was expected of too little. In expansion of the first, I would point out that Japan's modern development has, to a large extent, been imitative and adaptative, rather than sprung from the grass roots of a culture matured through long generations of experiment and experience. Up to a point, she could go along with development of the processes and techniques she had learned from Western peoples; but when cut off from them and had to go all out upon her own, Japan's gifts for improvisation were inadequate to the tasks she faced. Our War Production Board and its kindred agencies may have been represented to us as an overnight miracle;

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but actually, they represented merely the sum total of the wisdom, technique for centralization of effort, and will to action, we—and our Allies—had accumulated in a cultural environment which has been ours for a thousand years.

"So much expected from so little!" There seems to me a smack somewhat of self-gratulation in our attempts to compare unfavorably Japan's industrial mobilization for war with that of the Western powers, particularly the United States. Not only did Japan underestimate the stock piles she would need to ration her for hostilities against the United Nations: the whole stock of natural resources that she had at her command—including those ravaged from the Asiatic mainland—could not compare with the resources available to the United States when the high-grade and flexibility of our management, the adaptability of our labor, the high per capita income of our population, and the immense stockpiles of surplus we are able to accumulate without cutting deeply into our standards of living, are considered.

I cannot agree with those authorities who have noted "marked reluctance" to "forsake business as usual," in the case of Japan, and attribute a part of their failure to that type of "unpreparedness." It is my thesis that Japan had begun to mobilize for war many years ago, with her objective clearly in view, and mobilized probably as fully as her unique governmental and social structure—combined with her paucity of natural resources and comparative unfamiliarity with proved Western experience—would permit. In a country like Japan, if too great a percentage of its energies and resources are channeled into war, the people die of neglect and malnutrition.

COLONEL CLABAUGH: Mr. Moser, we listened sympathetically to what you had to say about the inability of your Department to get any intelligence from the Armed Forces. To what extent do you think the Central Intelligence Group now or in the future may cure that deficiency?

MR. MOSER: I think it will undoubtedly cure it as we get a little farther away from the war and become a little less afraid of our security questions. I hope so. Of course, I don't think that there was any effort on the part of the Armed Forces to prevent the civilian agencies from obtaining information, but there were so many civilian agencies, and there was such a distribution and decentralization of civilian agencies that I think the Armed Forces were sometimes puzzled as to who should have what and when. I think, as you say, that your Central Intelligence will cure that in time. Does that answer your question?

COLONEL CLABAUGH: Yes, sir. Thank you. We just had a lecture on Central Intelligence.

MR. MOSER: I heard you did. I am sorry I missed it.

A STUDENT: Do you have any information on whether or not the stock piles of materials were increased, kept the same, or decreased before the

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war because of the Japanese incident in China? What happened to their stock piles there at that time?

MR. MOSER: During the year of the incident with China?

A STUDENT: Yes.

MR. MOSER: Until 1940, when we shut them off, they grew as rapidly as the Japanese could buy petroleum, iron and steel scrap, heavy machinery, and machine-tools from us. During those three years, of course—you probably remember—there was a lot of feeling among certain factions in the United States that we should not continue to sell things to Japan which she would use in her attacks on China, but we shut down in July, 1940.

A STUDENT: I had understood that her finances wouldn't allow her to buy faster than she was consuming in China, with her war with China.

MR. MOSER: I wouldn't be able to tell you how fast she was consuming with her war in China. We were certainly greatly surprised at Japan's capacity to carry on the war with what we thought was her shortage of finances at the beginning of the war. I think we had all underestimated the capacity of the Japanese people to raise the necessary money and to make the necessary sacrifices to get almost anything that would be sold to them or that they could get hold of. We all underestimated Japan's financial capacity.

A STUDENT: What was the policy of the Commerce Department's Office of International Trade with respect to trade with potential enemies, for example, with Japan? Was there active cooperation with United States commercial companies or encouragement or just no expressed policy one way or the other?

MR. MOSER: It is a little hard to make a sharply defined answer to that question. There was continuous or very frequent discussion with the State Department on that question. "What shall we do? Shall we discourage American commercial firms from continuing to sell to the Japanese?" Airplane factories for commercial airplanes was one. "Shall we advise American firms to tell the Japanese 'We don't have any more scrap. We are using it ourselves.'?" "What position shall we take?"

The State Department was—I don't want to say "responsible" or to put any blame on them because it would not be true—but their own position was somewhat as was ours: "If we shut off trade with Japan during these years of their war with China, we may force Japan to commit an overt act, like bringing on a second World War"—like Pearl Harbor, for example—"We may force her to attack the Netherlands Indies. If we can satisfy her normal claims; if, as she pretends, she is not aiming at war; if we can satisfy her normal demands by allowing American business to carry on trade with them—". We had a trade treaty with Japan. There was no official, nor legal, presumption that American firms shouldn't continue their trade. So we drifted

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along, recognizing that war was always a possibility, hoping it would be avoided. Does that answer your question?

A STUDENT: Yes, sir. Thank you.

MR. MOSER: It is as near as I can make it. We were all scared that war was going to happen. Some of us were sure it was going to happen. Some of us would have liked to see a sharp cutting away, saying, "Here, we won't give you anything more in the way of resources for war." Others said "No, let us play along with it."

CAPTAIN WORTHINGTON: Thank you very much, Mr. Moser, for your splendid talk.

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